

FACT SHEET

EMPLOYMENT TAXES

The California Employment Development Department (EDD) is one of the largest tax collection agencies in the nation. Through its Tax Branch, EDD administers California's employment tax programs, which are necessary to support services and benefits provided by:

- Unemployment Insurance (UI)
- Employment Training Tax (ETT)
- State Disability Insurance (SDI)
- Personal Income Tax (PIT) Withholding

The Tax Branch ensures that all employers promptly and accurately report employment data and pay employment taxes. Each year, the Tax Branch:

- Collects more than \$23 billion in employment taxes, including nearly \$20 billion in PIT. These funds support the UI, SDI, employment training programs, and the State General Fund.
- Processes more than 24 million employer tax documents and payments.
- Maintains wage records for more than 19 million workers.
- Recovers more than \$11.5 million in benefit overpayments through interagency agreements with the California Franchise Tax Board and the California Lottery Commission.

The Tax Branch verifies the reporting of wages and enforces the timely payment of taxes while placing emphasis on:

- Educating and assisting employers.
- Properly maintaining employment wage records to ensure prompt payment of benefits.
- Determining that all employers are reporting employees properly.

Services

The Tax Branch helps California employers stay competitive by ensuring that all employers properly report and pay employment taxes. The following services are provided to educate and assist employers in meeting their employment tax responsibilities:

- For easy access, EDD's **Internet** site offers employment tax information, forms (including fill-in forms), and publications at www.edd.ca.gov.
- **Employment Tax Customer Service Offices** (ETCSOs), located throughout California, provide one-on-one payroll tax services to employers and offer seminars on various employment tax topics.
- **Employment Tax Consultants** are available through our ETCSOs to advise and inform new business owners of California employment tax laws and how to apply the laws to their business.
- **Employment tax workshops and seminars** are provided by our ETCSOs at no cost to increase employers' awareness of their employment tax responsibilities.
- Tax Branch **Call Centers** provide payroll tax assistance to employers over the telephone.
- The **Small Business Employer Advisory Committee** provides ongoing communication between the Tax Branch and businesses responsible for withholding and paying employment taxes.
- The **Office of the Taxpayer Rights Advocate** protects the rights of taxpayers.
- **Information Sheets and Fact Sheets** are published on specific topics. To find out about the Information Sheets and Fact Sheets available, contact your local ETCSO or visit our Internet site at www.edd.ca.gov/taxform.htm.

Automated Services

Electronic Funds Transfer (EFT) is a payment method of instructing financial institutions to transfer money from one account to another electronically, eliminating the use of paper checks. Transfers can be initiated by telephone or through the use of a personal computer with modem.

Telefile is a system for employers with five or fewer employees and employers of household workers to report and pay employment taxes in minutes by telephone, 24 hours a day, 7 days a week.

Electronic Data Interchange (EDI) is a computer-to-computer exchange of information that uses a standard format (ANSI x 12) and a Value Added Network as the method of communication.

Magnetic Media allows employers to file wage and tax information by diskette or magnetic tape.

Unemployment Insurance (UI)

UI is an employer-paid tax based on UI taxable wages that was established as part of a national program administered by the U.S. Department of Labor under the Social Security Act. The UI program provides temporary payments to individuals who are unemployed through no fault of their own. Tax-rated employers pay a percentage on the first \$7,000 in wages for each employee in a calendar year. The UI rate schedule and amount of taxable wages are determined annually.

Nonprofit and governmental employers may elect the reimbursable method of UI financing in which they reimburse the UI Fund on a dollar-for-dollar basis for all benefits paid to their former employees.

Employment Training Tax (ETT)

ETT is an employer-paid tax based on UI taxable wages that was established to provide training funds for employees in targeted industries to improve the competitiveness of California companies. ETT funds promote a healthy labor market by allowing California businesses to invest in a skilled and productive workforce, and develop the skills of workers who directly produce or deliver goods and services. Employers subject to ETT pay one-tenth of one percent on the first \$7,000 in wages for each employee in a calendar year.

State Disability Insurance (SDI)

SDI is a deduction from employees' SDI taxable wages that provides temporary benefit payments to workers who suffer a wage loss because they are unable to perform their usual work because of a nonwork-related illness, injury, or pregnancy. Work-related disabilities are covered by workers' compensation laws. Currently, employers withhold a percentage for SDI on the first \$31,767 in wages for each employee in a calendar year.

Elective Coverage

Elective coverage is offered to specific types of individuals and classes of employees who are excluded from UI and/or SDI. Generally, sole proprietors and individual partners who are subject employers may elect UI and SDI, or SDI only, for themselves. Self-employed individuals (with no employees) may elect SDI only. UI and SDI may be elected by all employees in an establishment or location who are exempt employees and whose employer agrees to the elective coverage. For more information on elective coverage, contact your local ETC SO.

Personal Income Tax (PIT) Withholding

California PIT is withheld from employees' pay based on the employees' W-4 or DE 4 on file with the employer. The EDD's Tax Branch administers the reporting, collection, and enforcement of PIT, which employers are required to withhold from employees' wages.

Additional Information

For more information about California's employment taxes or the services provided by EDD, please contact your nearest ETC SO or visit our Internet site at www.edd.ca.gov.

Telephone numbers for your nearest ETC SO are listed under *Employment Development Department, Employment Tax Information*, in the "State Government Offices" section of your local telephone directory.

Out-of-state employers with questions should call (916) 464-3502.